

Hello All,

I was asked at the 2007 TUG business meeting to give some detail on why we are a Tax exempt 501(c)(6) Organization and not a 501(c)(3).

I believe the context of this question was in the belief that 501(c)(3) organizations receive additional benefits such as tax free services.

First....The difference between 501(c)(3) and 501(c)(6).

A 501(c)(3) public charity or private foundation, is established for purposes that are religious, educational, charitable, scientific, literary, testing for public safety, fostering of national or international amateur sports, or prevention of cruelty to animals and children. Donations to a 501(c)(3) are tax deductible as charitable contributions

The 501(c)(6) is specifically reserved to organizations that are characterized by a common business interest, which the organization typically promotes. Organizations under this category are exempt from most federal income taxes. Donations to a 501(c)(6) are not tax deductible as charitable contributions, as is the case in the 501(c)(3) category.

The 501(c) (whatever's) are treated the same in reference to tax exemption and payment of sale or use taxes.

Second.....the term "tax-exempt," when used in reference to nonprofit organizations, generally refers to the net profits (proceeds over and above expenses) of an organization being exempt from federal and/or state income tax. While a nonprofit organization can be established by incorporating, the entity is not automatically tax-exempt upon creation with the state. Tax-exemption can only be achieved through applying for and receiving exemption from the IRS. This tax-exempt status, if achieved, does not entitle the organization to an exemption from payment of sales and use tax. For example, in Nebraska, only Churches and Schools can get an exemption from sales and use tax. In Iowa, Churches are not exempt from sales and use tax.

We have completed the application process. We applied first as a 501(c)(3) and the IRS responded by saying that we are actually a 501(c)(6) and asked to be resubmitted as such. We were granted tax-exempt status.

We are listed as TEA\TUG INC as a Florida Non Profit. I incorporated there because it was cheap and we get free advice from an established CPA, who also let us use her business address to establish residency. Ok, and it is my mom so she has to help me right... :)

Each year I renew and update our articles of incorporation with the new officers elected to board. The cost associated to renew/update is 60.00 dollars. This is the annual fee required.